SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITORS' REPORTS
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2008

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SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT

OFFICIALS

Name	Title	Term Expires
BOARD OF EDUCATION		
(Before September, 2007 Election)		
Kevin Ehlers	President	2009
Todd Herrig	Vice President	2007
Kevin Lindquist	Board Member	2007
Sara Fassler	Board Member	2009
Jeannette Hasley	Board Member	2008
(After September, 2007 Election)		
Todd Herrig	President	2011
Kevin Lindquist	Vice President	2011
Kevin Ehlers	Board Member	2009
Sara Fassler	Board Member	2009
Jeannette Hasley	Board Member	2011
SCHOOL OFFICIALS		
Dr. Dan Frazier	Superintendent	
Angela Smith	District Secretary/Treasurer	

WILLIAMS & COMPANY P.C.
Certified Public Accountants

Certified Public Accountants

Independent Auditors' Report

To the Board of Education of the
Sioux Central Community School District

We have audited the accompanying financial statements of the governmental activities, business-type activity, each major fund and the aggregate remaining fund information of Sioux Central Community School District, Sioux Rapids, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activity, each major fund, and the aggregate remaining fund information of Sioux Central Community School District as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2008, on our consideration of Sioux Central Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and pages 36 through 37 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sioux Central Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2007 (which are not presented herein) and expressed

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unqualified opinions on those financial statements. We did not audit, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2004. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Williams & Company, P.C.
Certified Public Accountants

Spencer, Iowa
December 11, 2008

Sioux Central Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

General fund revenues increased from $4,922,269 in fiscal 2007 to $5,238,095 in fiscal 2008, while General fund expenditures increased from $4,876,728 in fiscal 2007 to $5,319,055 in fiscal 2008.

The increase in General fund revenues was attributable mainly due to a large increase in tuition. State sources also increased. Property tax, federal, and other revenue decreased. The increase in expenditures was due primarily to increased transportation and instructional costs. The General fund balance decrease was due mainly to the unexpected rise in transportation costs.

OVERVIEW OF THE FINANCIAL STATMENTS

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are government-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.
- The statements for governmental funds explain how basic services, such as regular and special education, were financed in the short term, as well as what remains for future spending.
- The statement for proprietary funds offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Other supplementary information provides detailed information about the non-major Special Revenue Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
GASB 34 Sioux Central Community School District Annual Financial Report

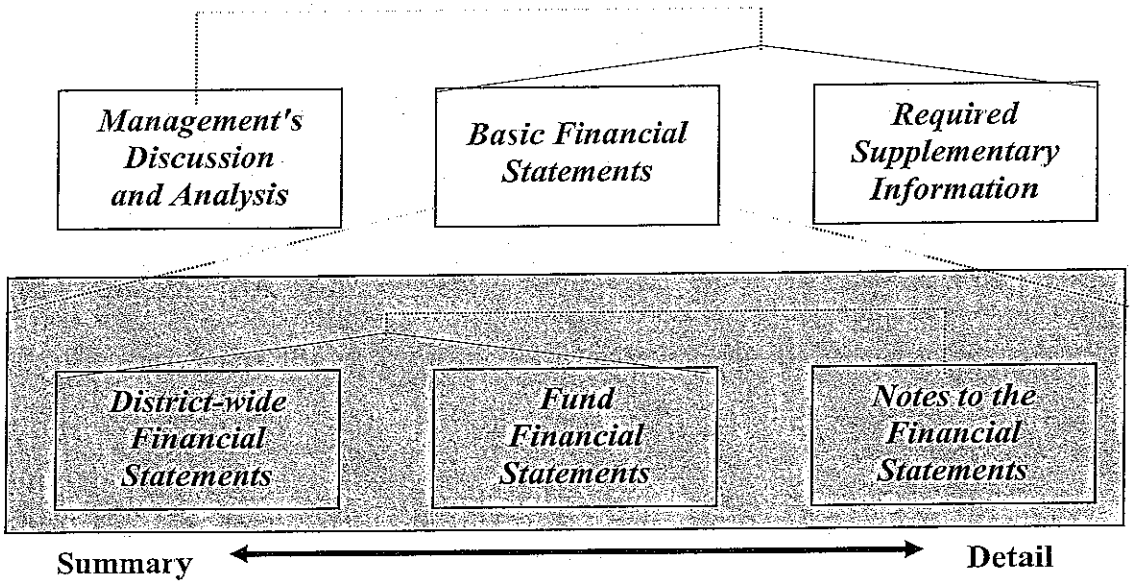

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education
Required financial statements	• Statement of net assets • Statement of activities	• Balance sheet • Statement of revenues, expenditures and changes in fund balances	• Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities*: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statement

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three types of funds:

1) *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Project Fund.

2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

3) *Fiduciary funds*: Fiduciary funds are custodial in nature and are used to account for funds held by the District on behalf of someone else. The District's fiduciary funds include a private purpose scholarship trust fund.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-Type Activity		Total District	
	2007	2008	2007	2008	2007	2008
Current and Other Assets	$ 3,850,242	$ 3,741,621	$ 46,778	$ 24,181	$ 3,897,020	$ 3,765,802
Capital Assets	5,410,347	5,289,284	27,256	21,124	5,437,603	5,310,408
Total Assets	9,260,589	9,030,905	74,034	45,305	9,334,623	9,076,210
Current Liabilities	2,523,716	2,590,127	-	-	2,523,716	2,590,127
Non-Current Liabilities	2,847,040	2,455,000	-	-	2,847,040	2,455,000
Total Liabilities	5,370,756	5,045,127	-	-	5,370,756	5,045,127
Net Assets Invested in Capital Assets, Net of Related Debt	2,565,347	2,834,284	27,256	21,124	2,592,603	2,855,408
Restricted	319,525	230,399	-	-	319,525	230,399
Unrestricted	1,004,961	921,095	46,778	24,181	1,051,739	945,276
Total Net Assets	$ 3,889,833	$ 3,985,778	$ 74,034	$ 45,305	$ 3,963,867	$ 4,031,083

The District's combined net assets were larger at June 30, 2007 than June 30, 2008. The decrease occurred as a result of eliminating unusable furniture and equipment from our inventory and normal depreciation expense.

Figure A-4 shows the changes in net assets for the year ended June 30, 2008 compared to the year ended June 30, 2007.

Figure A-4
Changes in Net Assets from Operations

	Governmental Activities		Business-Type Activity		Total District		Total % Change
	2007	2008	2007	2008	2007	2008	
Revenue:							
Program Revenue:							
Charges for Services	$ 1,389,694	$ 1,473,214	$ 156,486	$ 156,270	$ 1,546,180	$ 1,629,484	5.39%
Operating Grants and Contributions	713,982	711,216	112,508	120,101	826,490	831,317	0.58%
General Revenues:							
Property Tax	2,379,399	2,229,840	-	-	2,379,399	2,229,840	-6.29%
LOSST Tax	281,153	229,463	-	-	281,153	229,463	-18.39%
State Grants	1,383,303	1,442,761	-	-	1,383,303	1,442,761	4.30%
Interest Income	37,793	47,433	545	935	38,338	48,368	26.16%
Contributions	358	18	-	-	358	18	-94.97%
Miscellaneous	9,839	12,237	-	-	9,839	12,237	24.37%
Gain on Sale	355	-	-	-	355	-	-100.00%
Total Revenues	6,195,876	6,146,182	269,539	277,306	6,465,415	6,423,488	-0.65%
Expenses:							
Instruction	3,527,257	3,798,535	-	-	3,527,257	3,798,535	7.69%
Support Services	1,556,935	1,740,137	-	-	1,556,935	1,740,137	11.77%
Non-Instructional	-	-	276,432	306,035	276,432	306,035	10.71%
Other Expenses	574,171	443,921	-	-	574,171	443,921	-22.68%
Total Expenses	5,658,363	5,982,593	276,432	306,035	5,934,795	6,288,628	5.96%
Change in Net Assets	$ 537,513	$ 163,589	$ (6,893)	$ (28,729)	$ 530,620	$ 134,860	-74.58%

Property tax and unrestricted state grants account for 60% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 93% of the total expenses.

Governmental Activities

Revenues for governmental activities for the year ended June 30, 2008 were $6,146,182 and expenses were $5,982,593.

Figure A-5 presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs, and other expenses.

Figure A-5 - Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2007	2008	% Change	2007	2008	% Change
Instruction	$ 3,527,257	$ 3,798,535	7.69%	$ 1,590,247	$ 1,779,574	11.91%
Support Services	1,556,935	1,740,137	11.77%	1,543,296	1,732,079	12.23%
Other Expenses	574,171	443,921	-22.68%	421,144	286,510	-31.97%
Total	$ 5,658,363	$ 5,982,593	5.73%	$ 3,554,687	$ 3,798,163	6.85%

- The cost financed by users of the District's programs was $1,389,694 in 2007 and $1,473,214 in 2008.
- Federal and state governments subsidized certain programs and grants and contributions totaling $713,982 in 2007 and $711,216 in 2008.
- The net cost of governmental activities was financed with $2,379,399 and $2,229,840 in property tax, $1,383,303 and $1,442,761 in state foundation aid, $281,153 and $229,463 in local option sales and services tax, and $37,793 and $47,433 in interest income, for 2007 and 2008 respectively.

Business-Type Activities

Revenues of the District's business-type activities (school food and nutrition services) totaled $277,306 and expenses totaled $306,035. (Refer to Figure A-4.) Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Sioux Central Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of $1,169,119, a five percent increase over last year's ending fund balances of $1,106,609.

Governmental Fund Highlights

The District attempted to maintain its General Fund balance by cutting expenses; however the unexpected increase in transportation costs was the primary reason for a slight decrease.

Proprietary Fund Highlights

The School Nutrition Fund balance decreased due primarily to an increase in the cost of food.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following a required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis of accounting. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of the is report.

CAPITAL AND DEBT ADMINISTRATION

At June 30, 2008, the District had invested $5.3 million, net of accumulated depreciation, in a broad range of assets, including land, buildings, athletic facilities, computers, audio-visual equipment, and transportation equipment. This represents a net decrease of 2% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Total depreciation expense for the year was $215,871.

The original cost of the District's capital assets was $10,601,922. Governmental funds account for $10,529,644, with the remainder of $72,278 accounted for in the Proprietary, School Nutrition Fund.

Figure A-6 - Capital Assets

	Governmental Activities		Business-Type Activity		Total District		Total % Change
	2007	2008	2007	2008	2007	2008	
Land	$ 125,495	$ 125,495	$ -	$ -	$ 125,495	$ 125,495	0.00%
Construction in Progress	15,672	-	-	-	15,672	-	-100.00%
Buildings	6,476,302	6,476,302	-	-	6,476,302	6,476,302	0.00%
Improvements	58,025	58,025	-	-	58,025	58,025	0.00%
Equipment, Furniture & Vehicles	3,765,474	3,869,822	77,903	72,278	3,843,377	3,942,100	2.57%
Total	$ 10,440,968	$ 10,529,644	$ 77,903	$ 72,278	$ 10,518,871	$ 10,601,922	0.79%

Long-Term Debt

At year-end, the District had $2,455,000 of general obligation bonds and other long-term debt outstanding. This represents a decrease of approximately 14% from last year. See Figure A-7 below. Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

Figure A-7 - Long-Term Debt

	Total District		Total % Change
	2007	2008	
General Obligation Bonds	$ 2,845,000	$ 2,455,000	-13.71%
Early Retirement	2,040	-	-100.00%
Total	$ 2,847,040	$ 2,455,000	-13.77%

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of the following existing circumstances that could affect its financial health in the future:

- The District has completed four years of a sharing agreement with Albert City – Truesdale Community School District for academics. The District is also continuing a sharing agreement with South Clay that has been going for over 10 years. Both agreements are going well. The administration is keeping communication lines open with other neighboring districts for the possibility of future sharing.

- The District has experienced declining enrollment the past several years.

- Iowa law requires that unsettled salary negotiations for teachers go to mandatory arbitration. Invariably arbitrated settlements are higher than current levels of allowable growth in funding (not including the budget cuts after the contracts have been settled and people have been hired). A solution needs to be found.

- Health insurance continues to be a very costly item to the District. The rates have not increased as drastically over the past few years, however they are still extremely high. Even though concessions have been made by employees in regard to deductibles, and coinsurance, other solutions need to be found. The skyrocketing cost of health care and the insurance to cover the cost will soon be unattainable by many.

- Unfunded mandates are stretching the limits of not only the financial health of the District, but also the human resources aspect of the District. "No Child Left Behind", "Student Achievement and Teacher Quality Act", and "GASB 34", to name a few.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability of the money it receives. If you have questions about this report or need additional information, contact Angie Smith, Business Manager, Sioux Central Community School District, 4440 US Hwy 71, Sioux Rapids, IA 50585.

BASIC FINANCIAL STATEMENTS

SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Primary Government Governmental Activities	Business Type Activities	Total
Assets			
Cash and Pooled Investments	$ 690,776	$ 15,414	$ 706,190
Investments	414,957	-	414,957
Receivables:			
Property Tax	28,919	-	28,919
Property Tax - Succeeding Year	2,256,794	-	2,256,794
Accounts	6,454	435	6,889
Due from Other Funds	22,199	-	22,199
Due from Other Governmental Agencies	318,708	-	318,708
Inventories	-	8,332	8,332
Land	125,495	-	125,495
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	5,163,789	21,124	5,184,913
Total Assets	9,028,091	45,305	9,073,396
Liabilities			
Excess of Checks Over Bank Balance	237,419	-	237,419
Due to Other Funds	22,199	-	22,199
Accounts Payable	31,803	-	31,803
Accrued Wages and Payroll Liabilities	21,473	-	21,473
Accrued Interest Payable	17,625	-	17,625
Deferred Revenue - Succeeding Year Taxes	2,256,794	-	2,256,794
Noncurrent Liabilities:			
Debt Due Within One Year:			
Bonds Payable	405,000	-	405,000
Debt Due in More Than One Year:			
Bonds Payable	2,050,000	-	2,050,000
Total Liabilities	5,042,313	-	5,042,313
Net Assets			
Invested in Capital Assets, Net of Related Debt	2,834,284	21,124	2,855,408
Restricted for:			
Management Levy	120,061	-	120,061
Debt Service	30,210	-	30,210
Other Special Revenue Purposes	80,128	-	80,128
Unrestricted	921,095	24,181	945,276
Total Net Assets	$ 3,985,778	$ 45,305	$ 4,031,083

See Accompanying Notes to Financial Statements

SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Instruction:				
Regular Instruction	$ 2,394,073	$ 849,312	$ 403,021	$ -
Special Instruction	696,382	459,059	21,616	-
Other Instruction	708,080	164,843	121,110	-
Support Services:				
Student Services	126,873	-	-	-
Instructional Staff Services	129,937	-	8,058	-
Administration Services	490,359	-	-	-
Operations and Maintenance	614,227	-	-	-
Transportation Services	257,342	-	-	-
Central Support Services	121,399	-	-	-
Other Expenditures:				
Long-term Debt Interest and Fiscal Charges	119,954	-	-	-
AEA Flow-Through	157,411	-	157,411	-
Unallocated Depreciation*	166,556	-	-	-
Total Governmental Activities	5,982,593	1,473,214	711,216	-
Business-Type Activities:				
School Nutrition Fund	306,035	156,270	120,101	-
Total School District	$ 6,288,628	$ 1,629,484	$ 831,317	$ -
		General Revenues:		
		Property Tax Levied For:		
		General Purposes		
		Debt Service		
		Capital Outlay		
		Management Levy		
		Local Option Sales and Services Tax		
		Unrestricted State Grants		
		Interest on Investments		
		Contributions		
		Miscellaneous		
		Total General Revenues		
		Change in Net Assets		
		Net Assets - Beginning		
		Prior Period Adjustment		
		Net Assets - Beginning, as Restated		
		Net Assets - Ending		

* This amount excludes the depreciation included in the direct expenses of the various programs

See Accompanying Notes to Financial Statements

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
$ (1,141,740)		$ (1,141,740)
(215,707)		(215,707)
(422,127)		(422,127)
(126,873)		(126,873)
(121,879)		(121,879)
(490,359)		(490,359)
(614,227)		(614,227)
(257,342)		(257,342)
(121,399)		(121,399)
(119,954)		(119,954)
-		-
(166,556)		(166,556)
(3,798,163)		(3,798,163)
-	(29,664)	(29,664)
(3,798,163)	(29,664)	(3,827,827)
1,580,652	-	1,580,652
422,456	-	422,456
46,889	-	46,889
179,843	-	179,843
229,463	-	229,463
1,442,761	-	1,442,761
47,433	935	48,368
18	-	18
12,237	-	12,237
3,961,752	935	3,962,687
163,589	(28,729)	134,860
3,889,833	74,034	3,963,867
(67,644)	-	(67,644)
3,822,189	74,034	3,896,223
$ 3,985,778	$ 45,305	$ 4,031,083

SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and Pooled Investments	$ 268,146	$ 61,182	$ 163,591	$ 197,857	$ 690,776
Investments	414,957	-	-	-	414,957
Receivables:					
Property Taxes	20,500	5,479	-	2,940	28,919
Property Taxes - Succeeding Year	1,565,184	511,610	-	180,000	2,256,794
Other Accounts Receivable	6,454	-	-	-	6,454
Due from Other Governmental Agencies	279,904	-	38,804	-	318,708
Due from Other Funds	7,743	-	14,065	391	22,199
Total Assets	2,562,888	578,271	216,460	381,188	3,738,807
Liabilities and Fund Balances					
Liabilities					
Excess of Checks Over Bank Balance	237,419	-	-	-	237,419
Accounts Payable	12,554	-	19,249	-	31,803
Accrued Wages and Payroll Liabilities	21,473	-	-	-	21,473
Due to Other Funds	391	18,826	-	2,982	22,199
Deferred Revenue - Succeeding Year Taxes	1,565,184	511,610	-	180,000	2,256,794
Total Liabilities	1,837,021	530,436	19,249	182,982	2,569,688
Fund Balances					
Reserved for Debt Service	-	47,835	-	-	47,835
Unreserved for:					
General Fund	725,867	-	-	-	725,867
Special Revenue Fund	-	-	-	198,206	198,206
Capital Project Fund	-	-	197,211	-	197,211
Total Fund Balances	725,867	47,835	197,211	198,206	1,169,119
Total Liabilities and Fund Balances	$ 2,562,888	$ 578,271	$ 216,460	$ 381,188	$ 3,738,807

See Accompanying Notes to Financial Statements

SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
JUNE 30, 2008

Amounts reported for Governmental Activities in the Statement of Net assets are different because:

Total Fund Balance - Governmental Funds (page 16)	$	1,169,119
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		5,289,284
Accrued interest payable on long term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(17,625)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds		(2,455,000)
Total Net Assets - Governmental Activities (page 13)	$	3,985,778

See Accompanying Notes to Financial Statements

SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues					
Local Sources:					
Local Tax	$ 1,580,652	$ 422,456	$ 229,463	$ 226,732	$ 2,459,303
Tuition	1,371,175	-	-	-	1,371,175
Other	133,491	3,445	3,445	193,245	333,626
State Sources	1,890,883	-	-	-	1,890,883
Federal Sources	261,894	-	-	-	261,894
Total Revenues	5,238,095	425,901	232,908	419,977	6,316,881
Expenditures					
Instruction:					
Regular Instruction	2,406,763	-	3,971	-	2,410,734
Special Instruction	696,382	-	-	-	696,382
Other Instruction	500,017	-	-	208,063	708,080
Support Services:					
Student Services	126,873	-	-	-	126,873
Instructional Staff Services	129,937	-	-	-	129,937
Administration Services	489,959	400	-	-	490,359
Operations and Maintenance	465,892	-	106,079	92,258	664,229
Transportation Services	224,372	-	11,800	-	236,172
Central Support Services	121,399	-	-	-	121,399
Other Expenditures:					
Long-Term Debt:					
Principal	-	390,000	-	-	390,000
Interest and Fiscal Charges	-	122,795	-	-	122,795
AEA Flow-Through	157,411	-	-	-	157,411
Total Expenditures	5,319,005	513,195	121,850	300,321	6,254,371
Excess (Deficiency) of Revenues Over (Under) Expenditures	(80,910)	(87,294)	111,058	119,656	62,510
Other Financing Sources (Uses)					
Transfers In	-	90,000	-	-	90,000
Transfers Out	-	-	(90,000)	-	(90,000)
Total Other Financing Sources (Uses)	-	90,000	(90,000)	-	-
Net Change in Fund Balance	(80,910)	2,706	21,058	119,656	62,510
Fund Balances at Beginning of Year	854,728	57,944	176,153	85,428	1,174,253
Prior Period Adjustment	(47,951)	(12,815)	-	(6,878)	(67,644)
Fund Balances - Beginning of Year, Restated	806,777	45,129	176,153	78,550	1,106,609
Fund Balances at End of Year	$ 725,867	$ 47,835	$ 197,211	$ 198,206	$ 1,169,119

See Accompanying Notes to Financial Statements

SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

Amounts reported for governmental activities in the Statement of Activities are different because:		
Net Change in Fund Balances - Total Governmental funds (page 18)		$ 62,510
Governmental funds report capital outlays, including infrastructure, as expenditures However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Depreciation expense exceeded capital outlays in the current year as follows:		
Expenditures for capital assets	88,676	
Depreciation expense	(209,739)	(121,063)
Certain revenues not collected for several months after year end are not considered available revenue and are deferred in the governmental funds		(170,699)
Accrued interest expense that does not require current financial resources		2,841
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds without affecting the net assets. The Statement of Activities does not reflect the payment of principal on long-term debt The principal paid on long-term debt during the current year was:		390,000
Change in Net Assets of Governmental Activities (page 15)		$ 163,589

See Accompanying Notes to Financial Statements

SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2008

	School Nutrition Fund
Assets	
Current Assets:	
Cash and Cash Equivalents	$ 15,414
Accounts Receivable	435
Inventories	8,332
Total Current Assets	24,181
Noncurrent Assets:	
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	21,124
Total Assets	45,305
Net Assets	
Invested in Capital Assets, Net of Related Debt	21,124
Unrestricted	24,181
Total Net Assets	$ 45,305

See Accompanying Notes to Financial Statements

SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2008

	School Nutrition Fund
Operating Revenues:	
Charges for Services	$ 141,762
Miscellaneous	14,508
Total Operating Revenue	156,270
Operating Expenses:	
Non-Instructional Programs:	
Food Service Operations:	
Salaries	94,304
Benefits	37,250
Food	156,810
Supplies	9,408
Other Expense	2,131
Depreciation	6,132
Total Operating Expenses	306,035
Operating (Loss)	(149,765)
Non-Operating Revenue:	
Interest Income	935
State Lunch Reimbursements	3,552
National School Lunch Program	92,503
Federal Food Commodities Received	24,046
Total Non-Operating Revenue	121,036
Change in Net Assets	(28,729)
Net Assets - Beginning	74,034
Net Assets - Ending	$ 45,305

See Accompanying Notes to Financial Statements

SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2008

	School Nutrition Fund
Cash Flows from Operating Activities	
Cash Received from Customers	$ 155,835
Cash Payments for Salaries and Benefits	(131,554)
Cash Payments for Goods and Services	(146,491)
Net Cash (Used) by Operating Activities	(122,210)
Cash Flows from Non-Capital Financing Activities	
Federal and State Appropriations Received	96,055
Cash Flows from Investing Activities	
Interest on Investments	935
Net Decrease in Cash and Cash Equivalents	(25,220)
Cash and Cash Equivalents at Beginning of Year	40,634
Cash and Cash Equivalents at End of Year	$ 15,414
Reconciliation of Operating (Loss) to Net Cash (Used) in Operating Activities:	
Operating (Loss)	$ (149,765)
Adjustments to Reconcile Operating (Loss) to Net Cash (Used) in Operating Activities:	
Depreciation Expense	6,132
Commodities Used	24,046
Change in Assets and Liabilities:	
Increase in Accounts Receivable	(435)
Increase in Inventory	(2,188)
Net Cash (Used) by Operating Activities	$ (122,210)
Supplemental Schedule of Noncash Noncapital Financial Activities:	
Federal Food Commodities Received	$ 24,046

See Accompanying Notes to Financial Statements

SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008

	Private Purpose Trust Scholarship
Assets	
Total Assets	$ -
Net Assets	
Total Net Assets	$ -

See Accompanying Notes to Financial Statements

SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Private Purpose Trust Scholarship
Additions	
Local Sources: Contributions	$ 1,000
Deductions	
Support Services: Scholarships Awarded	1,000
Change in Net Assets	-
Net Assets - Beginning	-
Net Assets - Ending	$ -

See Accompanying Notes to Financial Statements

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Sioux Central Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Sioux Rapids, Rembrandt, Lynn Grove and Peterson, Iowa, and agricultural area in Buena Vista, Clay, Cherokee and O'Brien Counties. The District has also entered into a sharing agreement with the Albert City-Truesdale Community School District for academics beginning in 2005. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Sioux Central Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Sioux Central Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Buena Vista and Clay Counties Assessor's Conference Boards.

B. Basis of Presentation

Government-wide Financial Statements – The Statements of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

Note 1 – **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

- ***Invested in Capital Assets,*** net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction or improvement of those assets.
- ***Restricted Net Assets*** result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
- ***Unrestricted Net Assets*** consist of net assets that do not meet the definition of the two preceding categories. Unrestricted Net Assets often have constraints on resources that are imposed which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental and proprietary funds:

- The **General Fund** is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund accounts for the instructional and most of the support service programs of the District's operations. Revenue of the General Fund consists primarily of local property taxes and state government aid.
- The **Debt Service Fund** is used to account for the accumulation of resources for and the payment of general long-term debt principal and interest.
- The **Capital Projects Fund** is used to account for all resources used in the acquisition and construction of capital facilities.

Note 1 – **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- The District's proprietary fund is the **Enterprise, School Nutrition Fund**. This fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

The government-wide financial statements and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Note 1 – **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost. For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2008 included certificates of deposits of $414,957 with original maturity dates longer than three months.

Property Tax Receivable – Property tax in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking the budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2007.

Note 1 – **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Land	$ 1,000
Buildings	$ 10,000
Improvements other than Buildings	$ 10,000
Furniture and Equipment:	
School Nutrition Fund Equipment	$ 10,000
Other Furniture and Equipment	$ 10,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Buildings	50 years
Improvements other than Buildings	20 – 50 years
Furniture and Equipment	5 – 15 years

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of property tax receivables not collected within sixty days after year-end.

Note 1 – **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts and related employee benefits would be reported in governmental funds only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2008.

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties or use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

Note 2 – **CASH AND POOLED INVESTMENTS**

The District's deposits in banks at June 30, 2008, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certifies of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Note 2 – **CASH AND POOLED INVESTMENTS (Continued)**

The District had no investments at June 30, 2008 meeting the definition of GASB Statement 40.

Note 3 – **CAPITAL ASSETS**

Capital Assets activity for the year ended June 30, 2008, is as follows:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Governmental Activities:				
Capital assets not being depreciated:				
Land	$ 125,495	$ -	$ -	$ 125,495
Construction in Progress	15,672	-	(15,672)	-
Total assets not being depreciated	141,167	-	(15,672)	125,495
Capital assets being depreciated:				
Buildings	6,476,302	-	-	6,476,302
Improvements other than buildings	58,025	-	-	58,025
Furniture and Equipment	3,765,474	104,348	-	3,869,822
Total capital assets being depreciated	10,299,801	104,348	-	10,404,149
Less: Accumulated Depreciation for:				
Buildings	1,535,456	132,503	-	1,667,959
Improvements other than buildings	8,703	2,901	-	11,604
Furniture and Equipment	3,486,462	74,335	-	3,560,797
Total Accumulated Depreciation	5,030,621	209,739	-	5,240,360
Total capital assets being depreciated, net	5,269,180	(105,391)	-	5,163,789
Governmental activities capital assets, net	$ 5,410,347	$ (105,391)	$ (15,672)	$ 5,289,284
Business-type Activity:				
Furniture and Equipment	$ 77,903	$ -	$ (5,625)	$ 72,278
Less Accumulated Depreciation	50,647	6,132	(5,625)	51,154
Business-type activity capital assets, net	$ 27,256	$ (6,132)	$ -	$ 21,124

Note 3 – **CAPITAL ASSETS (Continued)**

Depreciation expense was charged to the following functions:

Governmental Activities:		
Transportation Services	$	32,970
Regular Instruction		3,793
Operation and Maintenance		6,420
Unallocated		166,556
Total depreciation expense - governmental activities	$	209,739
Business-type Activities:		
Food Service Operations	$	6,132

Reconciliation of Investment in Capital Assets:

	Governmental Activities	Business-type Activity
Land	$ 125,495	$ -
Capital Assets (net of accumulated depreciation)	5,163,789	21,124
Less: Bonds Payable	2,455,000	-
Investment in Capital Assets, Net of Related Debt	$ 2,834,284	$ 21,124

Note 4 – **INTERFUND TRANSFERS**

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

Transfer From	Transfer To	Amount
Capital Projects	Debt Service	$ 90,000

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Note 5 – LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended June 30, 2008 are summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation Bonds	$ 2,845,000	$ -	$ 390,000	$ 2,455,000	$ 405,000
Early Retirement	2,040	-	2,040	-	-
Long-Term Liabilities	$ 2,847,040	$ -	$ 392,040	$ 2,455,000	$ 405,000

General Obligation Bonds

The District adopted a resolution on May 1 1999, providing for the issuance of $ 3,565,000 in General Obligation School Bonds, Series 1999. The current general obligation bond issue requires semi-annual payments every November and May through May 2014. Details of the District's June 30, 2008 general obligation bonded indebtedness are as follows:

Year Ending June 30	Interest Rates	Bond Issue of May 1, 1999 Principal	Interest
2009	4.20 %	$ 405,000	$ 106,610
2010	4.30	410,000	89,600
2011	4.35	435,000	71,970
2012	4.35	465,000	53,048
2013	4.40	480,000	32,820
2014	4.50	260,000	11,700
	Total	$ 2,455,000	$ 365,748

Early Retirement – Termination Benefits

The Board of Education established an early retirement policy. All full-time licensed employees who have completed at least 15 years of service within the District and are between the ages of 55 and 65 are eligible to make application for retirement benefits.

At June 30, 2008, the District has no obligation to any participants. Actual early retirement expenditures for the year ended June 30, 2008 totaled $2,040.

Note 6 – INTERFUND RECEIVABLES AND PAYABLES

As of June 30, 2008, short-term interfund borrowings were as follows:

Fund Due To	Fund Due From	Amount
General Fund	Debt Service Fund	$ 7,743
LOST Fund	Debt Service Fund	11,083
PPEL Fund	General Fund	391
LOST Fund	PPEL Fund	2,982
		$ 22,199

The purpose of the interfund balances is to help finance cash shortage in the Debt Service Fund, General Fund, and PPEL Fund, and payment of property tax collected to the appropriate fund.

Note 7 – PENSION AND RETIREMENT BENEFITS

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P O Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.90% of their annual salary and the District is required to contribute 6.05% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007, and 2006, were $188,608, $167,351, and $164,541, respectively, equal to the required contributions for each year.

Note 8 – AREA EDUCATION AGENCY

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled $157,411 for the year ended June 30, 2008, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 9 – RISK MANAGEMENT

Sioux Central Community School District is a member in the Iowa School Employees Benefit Association, an Iowa Code Chapter 28E organization. The Iowa School Employees Benefits Association (ISEBA) is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. ISEBA was formed in July 1999 for the purpose of

Note 9 – **RISK MANAGEMENT (Continued)**

managing and funding employee benefits. ISEBA provides coverage and protection in the following categories: medical, dental, vision and prescription drugs. Sioux Central Community School District is exposed to various risks of loss related to torts, theft, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 10 – **DEFICIT FUND BALANCE**

As of June 30, 2008, the following fund had deficit fund balance in the amount shown:

PPEL	$ 1,983

The deficit will be funded by a transfer from the capital projects fund.

Note 11 – **PRIOR PERIOD ADJUSTMENT**

In the financial statements for the years ended June 30, 2007, an error was made in accounting for property taxes. The error has been corrected and has had the following effect on the beginning fund balances:

	General Fund	Debt Service Fund	Other Governmental Funds
Beginning Fund Balance, As Previously Reported	$ 854,728	$ 57,944	$ 85,428
Prior Period Adjustment - Property Taxes	(47,951)	(12,815)	(6,878)
Beginning Fund Balance, As Restated	$ 806,777	$ 45,129	$ 78,550

- Property taxes collected by the counties in July 2007 and remitted to the District in August was inadvertently recorded as a receivable.

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REQUIRED SUPPLEMENTARY INFORMATION

SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE, BUDGET AND ACTUAL, ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2008

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts Original	Final to Actual Variance
Receipts					
Local Sources:					
Local Taxes	$ 2,459,303	$ -	$ 2,459,303	$ 2,231,755	$ 227,548
Tuition	1,371,175	-	1,371,175	1,200,000	171,175
Other	333,626	157,205	490,831	670,400	(179,569)
State Sources	1,890,883	3,552	1,894,435	2,047,748	(153,313)
Federal Sources	261,894	116,549	378,443	310,000	68,443
Total Receipts	6,316,881	277,306	6,594,187	6,459,903	134,284
Expenditures					
Instruction	3,815,196	-	3,815,196	3,900,000	84,804
Support Services	1,768,969	-	1,768,969	2,225,796	456,827
Non-Instructional Programs	-	306,035	306,035	332,000	25,965
Other Expenditures	670,206	-	670,206	822,652	152,446
Total Expenditures	6,254,371	306,035	6,560,406	7,280,448	720,042
Excess (Deficiency) of Revenues Over Expenditures	62,510	(28,729)	33,781	(820,545)	854,326
Other Financing Sources (Uses)					
Operating Transfers From Other Funds	90,000	-	90,000	90,000	-
Operating Transfers to Other Funds	(90,000)	-	(90,000)	(90,000)	-
Total Other Financing Sources (Uses)	-	-	-	-	-
Change in Fund Balance	62,510	(28,729)	33,781	(820,545)	854,326
Fund Balance at Beginning of Year	1,106,609	74,034	1,180,643	1,180,643	-
Fund Balance at End of Year	$ 1,169,119	$ 45,305	$ 1,214,424	$ 360,098	$ 854,326

See Accompanying Independent Auditor's Report

SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
FOR THE YEAR ENDED JUNE 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, there were no budget amendments.

During the year ended June 30, 2008, the District did not exceed the amounts budgeted in any of the four major functions and did not exceed its General Fund unspent authorized budget.

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OTHER SUPPLEMENTARY INFORMATION

SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT

SCHEDULE 1

COMBINING BALANCE SHEET
GOVERNMENTAL NONMAJOR FUNDS
JUNE 30, 2008

	Special Revenue Funds			
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Total
Assets				
Cash and Cash Equivalents	$ 117,729	$ 80,128	$ -	$ 197,857
Receivables:				
Property Tax	2,332	-	608	2,940
Succeeding Year Property Tax	180,000	-	-	180,000
Due from Other Funds	-	-	391	391
Total Assets	300,061	80,128	999	381,188
Liabilities and Fund Balances				
Liabilities				
Due to Other Funds	-	-	2,982	2,982
Deferred Revenue - Succeeding Year Taxes	180,000	-	-	180,000
Total Liabilities	180,000	-	2,982	182,982
Fund Balances				
Unreserved for:				
Special Revenue Funds	120,061	80,128	(1,983)	198,206
Total Fund Balances	120,061	80,128	(1,983)	198,206
Total Liabilities and Fund Balance	$ 300,061	$ 80,128	$ 999	$ 381,188

SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT SCHEDULE 2
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL NONMAJOR FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Special Revenue Funds			
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Total
Revenues				
Local Sources				
Local Tax	$ 179,843	$ -	$ 46,889	$ 226,732
Other	12,236	160,446	5,398	178,080
Interest	9,904	1,816	3,445	15,165
Total Revenues	201,983	162,262	55,732	419,977
Expenditures				
Instruction:				
Other Instruction	-	149,896	58,167	208,063
Support Services:				
Operation and Maintenance	72,755	-	19,503	92,258
Total Expenditures	72,755	149,896	77,670	300,321
Net Change in Fund Balances	129,228	12,366	(21,938)	119,656
Fund Balances at Beginning of Year	(3,711)	67,762	21,377	85,428
Prior Period Adjustment	(5,456)	-	(1,422)	(6,878)
Fund Balance at Beginning of Year, Restated	(9,167)	67,762	19,955	78,550
Fund Balances at End of Year	$ 120,061	$ 80,128	$ (1,983)	$ 198,206

SCHEDULE 3

SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF INDIVIDUAL STUDENT ACTIVITY ACCOUNT ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2008

	Balance June 30, 2007	Revenues and Interfund Transfers	Expenditures	Balance June 30, 2008
Senior High				
Drama	$ 3,065	$ 3,871	$ 1,948	$ 4,988
Spanish Club	243	1,608	-	1,851
Cross Country	54	2,824	2,173	705
Basketball	(1,511)	13,835	9,970	2,354
Football	5,407	6,322	5,368	6,361
Baseball/Softball	6,030	6,200	12,230	-
Track	2,383	2,650	5,033	-
Golf	132	564	696	-
Wrestling	1,092	1,886	1,992	986
Volleyball	1,146	1,668	1,983	831
Drill Team	1,345	7,418	6,071	2,692
SC Specialties	47	1,190	1,228	9
Cheerleading	730	2,440	2,797	373
Class of 2008	2,688	-	2,655	33
Class of 2009	1,252	15,823	14,259	2,816
HS Student Council	7,045	4,361	3,921	7,485
National Honor Society	17	355	186	186
Awards Fund	1,609	8,201	6,005	3,805
HS Activity Pass	(238)	2,622	2,384	-
FFA	1,311	37,272	29,872	8,711
FBLA	-	1,629	1,372	257
Girl's Bowling	553	-	-	553
Yearbook	21,196	14,048	20,442	14,802
FCCLA	834	904	801	937
NASA	-	1,252	1,185	67
	56,430	138,943	134,571	60,802
Junior High				
JH Cross Country	1,131	-	-	1,131
JH Football	2,768	-	450	2,318
JH Baseball	780	-	470	310
JH Basketball	1,756	-	910	846
JH Volleyball	825	-	300	525
JH Softball	1,160	156	900	416
JH Track	819	954	1,174	599
JH Candy/Juice	(2,098)	14,119	10,251	1,770
JH Student Council	416	73	-	489
	7,557	15,302	14,455	8,404
Elementary				
Elementary Principal	2,097	458	258	2,297
Elementary Activity Pass	(488)	1,000	512	-
Elementary Book Fair	3,335	-	-	3,335
Box Tops	478	873	-	1,351
	5,422	2,331	770	6,983
Miscellaneous				
Interest	1,691	1,816	-	3,507
Adult Activity Pass	(3,770)	3,870	100	-
Electrathon	432	-	-	432
	(1,647)	5,686	100	3,939
Total for Activity Funds	$ 67,762	$ 162,262	$ 149,896	$ 80,128

SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT SCHEDULE 4

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS

FOR THE LAST FIVE YEARS

	Modified Accrual Basis of Accounting				
	2008	2007	2006	2005	2004
Revenues:					
Local Sources:					
Local Tax	$ 2,459,303	$ 2,660,552	$ 2,441,883	$ 2,456,291	$ 2,298,569
Tuition	1,371,175	874,283	1,084,802	965,960	455,715
Other	333,626	440,522	257,772	236,111	197,783
State Sources	1,890,883	1,783,152	1,776,118	1,642,643	1,668,404
Federal Sources	261,894	266,668	579,219	724,543	452,558
	$ 6,316,881	$ 6,025,177	$ 6,139,794	$ 6,025,548	$ 5,073,029
Expenditures:					
Instruction:					
Regular Instruction	$ 2,410,734	$ 2,181,684	$ 2,025,004	$ 2,226,542	$ 2,310,179
Special Instruction	696,382	697,452	602,269	719,023	766,178
Other Instruction	708,080	661,804	626,805	550,065	296,798
Support Services:					
Student Services	126,873	121,965	123,217	96,495	138,816
Instructional Staff Services	129,937	97,055	288,543	99,138	56,183
Administration Services	490,359	431,054	613,163	662,386	430,562
Operations and Maintenance	664,229	691,900	520,064	513,389	428,161
Transportation Services	236,172	235,680	257,341	214,250	140,968
Central Support Services	121,399	136,057	115,021	93,214	-
Non-Instructional Programs	-	-	-	473	1,479
Other Expenditures:					
Judgements from Court Decision	-	5,000	-	-	-
Facilities Acquisition	-	-	10,000	117,016	33,693
Long-term Debt:					
Principal	390,000	392,889	452,804	290,000	336,578
Interest and Other Charges	122,795	138,121	156,047	221,243	244,075
AEA Flowthrough	157,411	153,027	161,131	146,814	151,819
	$ 6,254,371	$ 5,943,688	$ 5,951,409	$ 5,950,048	$ 5,335,489

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WILLIAMS & COMPANY P.C.
Certified Public Accountants

Certified Public Accountants

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of the
Sioux Central Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Sioux Central Community School District, Iowa as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated December 11, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Sioux Central Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Sioux Central Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Sioux Central Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Sioux Central Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Sioux Central Community School District's financial statements that is more than inconsequential will not be prevented or detected by Sioux Central Community School District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item 08-II-A and 08-II-B to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Sioux Central Community School District's internal control.

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712-262-1500 FAX 712-262-2920

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiencies described above are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sioux Central Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Sioux Central Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Sioux Central Community School District's responses, and accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Sioux Central Community School District and other parties to whom Sioux Central Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Sioux Central Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Williams + Company P.C.
Certified Public Accountants

Spencer, Iowa
December 11, 2008

SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

PART I – SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

(A) An unqualified opinion was issued on the financial statements.

(B) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.

(C) The audit did not disclose any non-compliance, which is material to the financial statements.

PART II – FINDINGS RELATED TO THE FINANCIAL STATEMENTS

INSTANCES OF NON-COMPLIANCE: No matters were reported.

SIGNIFICANT DEFICIENCIES:

08-II-A Segregation of Duties

Observation – During our review of internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District's financial statements.

Recommendation – We realize with a limited number of personnel, segregation of duties is difficult. However, the District should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response – The District feels that additional personnel would not be cost effective. However, management and the school board will review procedures and investigate available alternatives.

Conclusion – Response accepted.

08-II-B Financial Reporting

Observation – During our audit, we found that the client failed to reconcile the beginning fund balances and reconcile the interfund payables and receivables. We were required to propose material adjusting journal entries to correct these accounts.

Recommendation – The District should implement procedure to ensure that the beginning fund balances agree to the prior period ending fund balance and the audit report. They should also reconcile their interfund payables and receivables on a monthly basis.

Response – We will verify that all adjusting journal entries are entered correctly and that the fund balances agree to the audit report. We will also reconcile the interfund payables and receivables on a monthly basis and transfer cash accordingly.

PART II – FINDINGS RELATED TO THE FINANCIAL STATEMENTS (CONTINUED)

Conclusion – Response accepted.

PART III – OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING

08-III-A: Certified Budget – Disbursements for the year ended June 30, 2008, did not exceed the certified budget amounts.

08-III-B: Questionable Disbursements – No expenditures that did not meet the requirement of public purpose as defined in an Attorney General's opinion dated April 25, 1979, were noted.

08-III-C: Travel Expense – No expenditures of Sioux Central Community School District were for travel expenses of spouses of District officials or employees.

08-III-D: Business Transactions – No business transactions between the District and the District officials or employees were noted.

08-III-E: Bond Coverage - Surety bond coverage of Sioux Central Community School District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

08-III-F: Board Minutes – No transactions were found that we believe should have been approved by the Board minutes but were not.

08-III-G: Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

08-III-H: Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the District's investment policy were noted.

08-III-I: Certified Annual Report – The Certified Annual Report was filed timely with the Department of Education.

08-III-J: Deficit Balances –The physical plant and equipment levy special revenue fund had deficit balances at June 30, 2008.

PART III – OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING (CONTINUED)

Recommendation – We recommend that the District should investigate alternatives to significantly reduce and/or eliminate this deficit.

Response – The District is aware of this situation and will transfer cash from the capital projects fund to eliminate this deficit.

Conclusion – Response accepted.